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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 16970

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TAGS: MOPS, PINS, PREL, PGOV, PHUM, SOCI, CH
SUBJECT: TFCH01: SITREP NO. 60, JUNE 22, 1700 LOCAL

1. CONFIDENTIAL ENTIRE TEXT.

2. SUMMARY: THE LEAD ITEM COVERED BY THE PRESS WAS
PREMIER LI PENG'S COMMENTS TO THE VISITING PAKISTAN
FOREIGN SECRETARY THAT CHINA WILL NOT YIELD TO
FOREIGN DIPLOMATIC AND ECONOMIC PRESSURES WHICH HE

UNITED STATES DEPARTMENT OF STATE Page - 1
REVIEW AUTHORITY: PAUL F. GARDNER
DATE/CASE ID: 26 JUN 1998 199604320

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CALLED "SHORT-SIGHTED AND UNWISE." THE MFA SPOKESPERSON ECHOED PREMIER LI'S WORDS TO JOURNALISTS AND ADDED THAT FOREIGN COUNTRIES SHOULD NOT INTERFERE IN CHINA'S INTERNAL AFFAIRS. THE SPOKESPERSON ALSO REPEATED A COMMON THEME THAT FOREIGN INFLUENCE HELPED FUEL THE "COUNTER-REVOLUTIONARY REBELLION."

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3. THE CHINESE HAVE ANNOUNCED SEVEN MORE EXECUTIONS (ALL OF WHOM WE BELIEVE TO BE WORKERS) IN CONNECTION WITH THE RECENT DEMONSTRATIONS. THE MILITARY SITUATION IN BEIJING IS STILL "NOT NORMAL" AS PLA SOLDIERS HAVE BEEN OBSERVED WITH THEIR WEAPONS LOADED AND READY TO FIRE. A TAIWAN NATIONAL WAS ARRESTED AS A SPY FOR PHOTOGRAPHING THE PRO-DEMOCRACY DEMONSTRATIONS AND SPREADING RUMORS.

/

4. U.S. BUSINESS PEOPLE REPORT THE CHINESE ARE MAKING CONCESSIONS TO ENTICE BUSINESS BACK TO BEIJING. THE BUSINESSMEN SPECULATE THAT THE POSITIVE BUSINESS ATMOSPHERE IS ONLY TEMPORARY AND THERE APPEARS TO BE NO LONG TERM IMPROVEMENTS IN THE WAY BUSINESS IS CONDUCTED IN BEIJING.

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5. THE GOVERNMENT PLANS TO SELL USD 3 BILLION IN
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BONDS TO HELP SOAK UP CASH IN CIRCULATION AND FINANCE THE DEFICIT BEGINING JULY 1. YAO YILIN AND WU XUEQIAN ARE OTHER LEADERS WHO HAVE APPEARED ON THE EVENING NEWS. THE CHINESE PRESS CONTINUE ATTACKS ON VOA AND THE U.S. PRESS. INTERPOL WILL HOLD ITS ANNUAL MEETING IN BEIJING IN OCTOBER. THE SOVIET AMBASSADOR CHARACTERIZED THE SITUATION IN BEIJING AS NORMALIZING.

PREMIER LI PENG SAYS CHINA WILL NOT BEND TO FOREIGN PRESSURE

6. PREMIER LI PENG'S JUNE 21 MEETING WITH PAKISTAN FOREIGN SECRETARY HUMAYUN KHAN, THE NUMBER TWO IN THEIR FOREIGN MINISTRY, WAS THE LEAD ITEM IN THE JUNE 21 EVENING NEWS AND FRONT PAGE HEADLINE IN THE JUNE 22 PEOPLE'S DAILY. THIS WAS PREMIER LI'S FIRST MEETING WITH A FOREIGN OFFICIAL SINCE JUNE 4, BUT NO MENTION WAS MADE OF WHAT WAS DISCUSSED DURING THEIR MEETING BY THE PRESS. THE FOCUS OF THE COVERAGE WAS ON PREMIER LI'S COMMENTS THAT CHINA WILL NOT YIELD TO FOREIGN PRESSURE. THE PREMIER SAID "IN TIMES OF DIFFICULTY, IT IS VERY CLEAR WHO ARE TRUE FRIENDS....NATIONS WHICH EXERTED DIPLOMATIC AND ECONOMIC PRESSURES ON CHINA DEMONSTRATED THAT THEY ARE SHORT-SIGHTED AND UNWISE."

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7. OF INTEREST WAS THE PREMIER'S CONTINUED EFFORTS TO ASSURE STUDENTS WHO PARTICIPATED IN THE PRO-DEMOCRACY MOVEMENT, THAT LENIENCY WILL BE GIVEN TO THOSE ARRESTED. THE PREMIER SAID "TOWARDS THOSE WHO PARTICIPATED IN PARADES, DEMONSTRATIONS, PASSIVE SIT-INS AND HUNGER STRIKERS, EVEN THOUGH THEY WERE EXCESSIVE IN THEIR ACTS AND WORDS, WE WILL ADOPT A LENIENT ATTITUDE AND HANDLE THE CASES APPROPRIATELY."

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8. [REDACTED] THERE WERE
70-80,000 BAD ELEMENTS AMONG THE TIANANMEN
DEMONSTRATORS AND THIS GROUP WOULD BE PURSUED
RELENTLESSLY AND PUNISHED ACCORDING TO THE LAW.

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MFA PRESS BRIEFING

9. ON JUNE 22 THE MFA SPOKESPERSON ECHOED PREMIER LI
PENG'S COMMENTS THAT CHINA WILL NOT YIELD TO FOREIGN
PRESSURE. SHE ADDED THAT OTHER COUNTRIES SHOULD NOT
INTERFERE IN CHINA'S DOMESTIC POLITICS. THE
SPOKESPERSON ALSO REPEATED THE STANDARD LINE THAT
"EXTERNAL FORCES HAD CLOSE CONTACTS WITH DOMESTIC
COUNTER-REVOLUTIONARY ORGANIZATIONS AND INSTIGATED
AND SUPPORTED THE COUNTER-REVOLUTIONARY REBELLION."

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TAIWANJNATIONAL ARRESTED AS SPY FOR PARTICIPATING IN
DEMONSTRATIONS

14. THE JUNE 22 NOON NEWS REPORTED THE ARREST OF A
TAIWAN NATIONAL, OU ZONGYOU, AS A SPY FOR TAIWAN. HE
WAS CHARGED WITH TAKING PICTURES OF PRO-DEMOCRACY
DEMONSTRATIONS AND SPREADING FALSE RUMORS. HE WAS
ARRESTED IN GUIZHOU PROVINCE.

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EAGERNESS FOR THE RETURN OF FOREIGN BUSINESS BRINGS
ENTICEMENTS - IN BEIJING
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15. A FEW U.S. BUSINESS PEOPLE WHO HAVE DRIFTED BACK RECENTLY MENTIONED TO US THAT LOCAL OFFICIALS ARE TAKING A FLEXIBLE APPROACH TO BUSINESS PERSONS. ROCKWELL HAS RECENTLY SIGNED A COUPLE OF CONTRACTS, ALBEIT MINOR, WHICH INCLUDE PROVISIONS TO WHICH THE CHINESE WOULD NOT NORMALLY AGREE. THE MANAGER OF A MANUFACTURING JOINT VENTURE SAID IT APPEARS HE MAY RECEIVE SOME UNSPECIFIED CONCESSIONS HE HAS BEEN SEEKING FOR MONTHS. THERE ARE OTHER EXAMPLES, SOME OF WHICH HAVE BEEN MENTIONED IN THE MEDIA. ALL OUR INTERLOCUTORS CAUTIONED THAT THEY BELIEVED THESE TO BE MOMENTARY ENTICEMENTS AND NOT LONG TERM IMPROVEMENTS IN THE WAY BUSINESS IS CONDUCTED IN BEIJING. ON THE OTHER HAND, WE NOTE SHANGHAI 4371 RELATES THAT SHANGHAI AUTHORITIES HAVE RAISED THE SPECTER OF PENALTIES FOR ABSENT BUSINESSMEN. WE WOULD BE INTERESTED IN OTHER CONSULATES' VIEWS OF LOCAL VARIATIONS TO A "WELCOME HOME" THEME.
/

CHINA, CASH SHORT, IN SEARCH OF MORE FUNDS
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16. THE PEOPLE'S DAILY REPORTED ON JUNE 22 THAT THE GOVERNMENT WILL ISSUE 12 BILLION YUAN (USD 3 BILLION) WORTH OF BONDS BEGINNING JULY 1. THE THREE-YEAR BONDS WILL BE SOLD TO CHINESE INDIVIDUALS AND ENTERPRISES TO HELP SOAK UP CASH IN CIRCULATION AND FINANCE GOVERNMENT EXPENDITURES.
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OTHER LEADERS OBSERVED

17. THE JUNE 22 PRINT MEDIA AND JUNE 21 EVENING NEWS REPORTED ON MEETINGS BY VICE PREMIER YAO YILIN WITH

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SHAHID BURKI, A DIRECTOR WITH THE WORLD BANK; AND
SEPARATE MEETINGS BY VICE PREMIER WU XUEQIAN AND VICE
CHAIRMAN OF THE CHINESE PEOPLE'S POLITICAL
CONSULTATIVE CONFERENCE GU MU WITH TONG DJOE, A
SINGAPOREAN ENTREPRENEUR. THEY ADVANCED THE PARTY
LINE THAT CHINA IS NOW STABLE AND IS PREPARED TO
RESUME FULL ECONOMIC RELATIONS.

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CONTINUED ATTACKS ON U.S. PRESS AND VOA

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18. ATTACKS ON THE U.S. PRESS AND VOA CONTINUE TODAY WITH A CRITICAL COMMENTARY ON THE JUNE 22 NOON NEWS AGAINST VOA REPORTING. THE CHINA NEWS SERVICE, XINHUA, REPORTED THAT VOA WAS WRONG IN ASKING FOR AMNESTY FOR 11 "HEINOUS CRIMINALS." THE ARRESTED PEOPLE WERE NOT DEMOCRATIC DEMONSTRATORS, XINHUA ASSERTED. A SPOKESMAN FOR THE BEIJING MUNICIPAL GOVERNMENT ON JUNE 20 CONDEMNED AP REPORTING OF THE EVENTS ON JUNE 3-4.

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INTERPOL TO HOLD ANNUAL MEETING IN BEIJING

19. ZHU ENTAO, DIRECTOR IN CHINA'S SECURITY MINISTRY, SAID THAT HE WELCOMED THE 58TH ANNUAL MEETING OF INTERPOL TO TAKE PLACE IN OCTOBER IN BEIJING. THE PRESS REPORTED THAT THE INTERPOL EXECUTIVE COMMITTEE DECIDED IN LYON, FRANCE ON JUNE 21 TO HOLD THE ANNUAL MEETING IN BEIJING.

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SOVIET AMBASSADOR TELLS MOSCOW T.V., SITUATION IS CONFIDENTIAL

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NORMALIZING

20. ACCORDING TO A JUNE 20 FBIS REPORT, SOVIET AMBASSADOR TO CHINA OLEG TROYANOVSKY SAID IN AN INTERVIEW WITH MOSCOW T.V. THAT THE SITUATION IN CHINA IS NORMALIZING. HE ADDED THAT THE SOVIET EMBASSY WAS UNAFFECTED BY THE DEMONSTRATIONS, SOVIET CITIZENS DID NOT FIND THEMSELVES IN A DANGEROUS SITUATION, AND NO SOVIET NATIONAL ASKED FOR ASSISTANCE.
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